

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:CORP:03

PLR-132354-08

Date:

October 21, 2008

Taxpayer =

Foreign Parent =

Sub 1 =

Sub 2 =

Sub 3 =

Year X =

Date A =

Year Y =

⌞ =

Dear :

We respond to your letter dated July 18, 2008, requesting a ruling under § 1.1502-47 of the Income Tax Regulations. The information submitted for consideration is summarized below.

The ruling contained in this letter is based on facts submitted by the taxpayer and accompanied by a penalties of perjury statement executed by an appropriate party. This Office has not verified any of the materials submitted in support of the request for the ruling. Verification of the information and other data may be required as part of the audit process.

Taxpayer, an indirect subsidiary of Foreign Parent, is the common parent of an affiliated group of corporations that file a consolidated Federal income tax return. The members of the group are either includible corporations under § 1504(b) or treated as includible corporations under §§ 1504(c)(2) and 1.1502-47(d)(12) (the "Taxpayer Life-Nonlife Group"). For the five years immediately preceding Year X, Taxpayer filed a consolidated Federal income tax return including all eligible members of the Taxpayer Life/Nonlife Group.

On Date A, Sub 1, an indirect subsidiary of Taxpayer, acquired all of the stock of Sub 2 and its affiliates, which included Sub 3. Sub 3 is a life insurance company. Sub 3 ceased issuing new policies in approximately Year Y. Taxpayer anticipates that it will take Sub 3 at least \geq years to run off its existing policies.

Taxpayer proposes to include Sub 3 in its Year X life-nonlife consolidated Federal income tax return.

Section 1504(a) of the Code defines the term "affiliated group" to mean one or more chains of includible corporations connected through stock ownership with a common parent which is an includible corporation.

Section 1504(b)(2) of the Code excludes from the term "includible corporation" insurance companies subject to taxation under § 801.

Section 1504(c)(2)(A) of the Code provides that when an affiliated group (determined without regard to subsection (b)(2)) includes one or more domestic insurance companies taxed under § 801, the common parent of such group may elect (pursuant to regulations prescribed by the Secretary) to treat all such companies as includible corporations for purposes of applying subsection (a) except that no such company shall be so treated until it has been a member of the affiliated group for the five taxable years immediately preceding the taxable year for which the consolidated return is filed.

Section 1.1502-47(d)(12)(i) of the regulations provides in part that a corporation is an eligible corporation for a taxable year of a group only if, throughout every day of the "base period," the corporation (A) was in existence and a member of the group determined without the exclusions in § 1504(b)(2), (B) was engaged in the active

conduct of a trade or business, (C) did not experience a change in tax character, and (D) did not undergo disproportionate asset acquisitions.

Section 1.1502-47(d)(12)(ii) of the regulations provides that the base period consists of the common parent's five taxable years immediately preceding the group's taxable year for which the consolidated return and the determination of eligibility are made. Eligibility is determined for each consolidated return year beginning with the first year for which the election under § 1504(c)(2) is effective.

Based solely on the information submitted, we rule as follows:

- (1) Sub 3 has been engaged in the active conduct of a trade or business within the meaning of § 1.1502-47(d)(12)(i)(B) throughout every day of the base period.
- (2) Provided that Sub 3 meets the requirements of § 1.1502-47(d)(12)(i)(A), (C), and (D), Sub 3 is eligible within the meaning of § 1.1502-47(d)(12) to be treated as an includible corporation in the Taxpayer Life/Nonlife Group for Year X.

No opinion is expressed about the tax treatment of Sub 3 under other provisions of the Code or regulations that are not specifically covered by the above rulings. In particular, no opinion is expressed regarding whether Sub 3 is a life insurance company for Federal income tax purposes.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

Sincerely,

Gerald B. Fleming
Senior Technician Reviewer, Branch 2
Office of Associate Chief Counsel (Corporate)

cc: